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TO RUEHC/SECSTATE WASHDC IMMEDIATE 9062
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBK/AMEMBASSY BANGKOK 2924
RUEHBJ/AMEMBASSY BEIJING 2287
RUEHBY/AMEMBASSY CANBERRA 2016
RUEHKA/AMEMBASSY DHAKA 5209
RUEHLO/AMEMBASSY LONDON 2132
RUEHNE/AMEMBASSY NEW DELHI 5491
RUEHUL/AMEMBASSY SEOUL 9087
RUEHTC/AMEMBASSY THE HAGUE 0763
RUEHKO/AMEMBASSY TOKYO 6663
RUEHCN/AMCONSUL CHENGDU 1799
RUEHCHI/AMCONSUL CHIANG MAI 2177
RUEHCI/AMCONSUL KOLKATA 0647
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RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000332

SIPDIS

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TAGS: [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [SENV](#) [BM](#)
SUBJECT: BURMA: NEW DEVELOPMENTS IN NATURAL GAS SECTOR

REF: A. RANGOON 235
[1](#)B. 08 RANGOON 741

RANGOON 00000332 001.2 OF 002

Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

[1](#)1. (C) The Burmese Government continues to push for the development of Burma's offshore natural gas sector. State-owned Myanmar Oil and Gas Enterprise (MOGE), with partial funding from Thai-owned PTTEP, plans to construct in 2009 a new gas pipeline from the Yadana Gas Fields to Rangoon. This pipeline will supplement the existing MOGE pipeline that delivers Yadana gas via southeastern Burma to Rangoon. French-owned Total, which operates the Yadana fields, has offered MOGE technical support. Regime cronies continue to invest in the offshore gas sector. IGE Co. Ltd., owned by the sons of Minister for Industry-1, recently signed a contract with Indian-owned Reliance Industries Limited to develop the A5 block. End Summary.

MOGE to Build New Gas Pipeline

[1](#)2. (C) Burma is rich in natural gas. Currently only two offshore fields -- Yadana, operated by Total (with U.S.-based Chevron as one of several partners) and Yetagun, operated by Malaysian-owned Petronas -- are in production. In 2008 these two projects produced approximately 459 billion cubic feet of gas, exporting approximately 85 percent to Thailand (Ref A).

MOGE, the state-owned company responsible for oil and gas production, purchases the remaining 15 percent, transferring it from the Yadana and Yetagun pipelines in Kanbauk, Tanintharyi Division (southeastern Burma) to refineries in Rangoon via an on-land MOGE pipeline. According to Minn Minn Oung, Chairman of Silverwave Energy and a personal friend of the Minister of Energy, the Kanbauk-Rangoon pipeline is poorly constructed, often leaking gas into the local environs. Nicolas Terraz, General Manager of Total Myanmar, confirmed that the MOGE pipeline, constructed in 2002, does not meet international standards and is corroded.

13. (C) With the Kanbauk-Rangoon pipeline currently at capacity, MOGE is interested in obtaining more gas from the Yadana fields to meet local electricity needs, Terraz informed us. In 2009 MOGE plans to construct a new 100-kilometer offshore pipeline straight from the Yadana fields to the Irrawaddy Delta, where it will connect to a new 150-kilometer onshore pipeline to Rangoon, Terraz stated. MOGE expects the new pipeline will move an additional 200 million square cubic feet of gas a day from the Yadana fields. Total believes the Yadana field can meet this demand and still produce until at least 2018. Terraz noted that laying the onshore portion of this pipeline will be difficult given the terrain of the Irrawaddy Delta (shallow waters, rivers, and paddy fields) and the high population density of the area. MOGE will also have to build new processing and refinery centers in Rangoon. Total has offered to provide MOGE with technical support, as it wants to ensure that any new pipeline connecting to its Yadana site meets international standards.

RANGOON 00000332 002.2 OF 002

14. (C) MOGE estimates the new pipeline will cost approximately USD 600 million and will take two years to complete. Total Operations Manager Jean Monnet estimates it will take longer and notes that there are many technical issues that will need to be resolved. Silverwave Energy's Minn Minn Oung told us that MOGE is approaching both foreign and domestic gas companies to invest in its new pipeline, in exchange offering them the inside track to additional offshore blocks or extensions on current exploration contracts. Perhaps for that reason, Thai company PTTEP has already pledged USD 270 million for the project, according to Nick Lucidi, Chevron Representative for Burma.

Cronies Investing

15. (C) Indeed, the Burmese Government continues to encourage foreign and local companies to invest in offshore natural gas projects, Minn Minn Oung stated. He confirmed that regime cronies Steven Law and Chit Khaing have already partnered with, respectively, Chinese National Offshore Oil Company (CNOOC) and Petro Vietnam for shares in production. These two cronies have spent a combined USD 50 million in the last 12 months on exploration in the M10 (CNOOC) and M2 (Petro Vietnam) blocks (Ref A). Minn Minn Oung also told us that the Minister of Energy recently met with Aung Ko Win, owner of Kanbawza Bank and more than a dozen jade and gem mines (septel), about investing in offshore gas blocks. While Aung Ko Win has yet to invest, he has requested a meeting with Silverwave regarding a potential partnership in the A7 block.

16. (C) Regime cronies Nay Aung and Pyi Aung, sons of Minister of Industry-1 and owners of IGE Co. Ltd., maintain control over offshore block A5, Lucidi confirmed. In March 2007, IGE Co. Ltd., partnering with Malaysian company Rimbunan Petrogas, signed a contract with MOGE for the A5 and M1 blocks (Ref B). In late 2008 Rimbunan withdrew from its A5 contract, claiming it could not fund exploration in both blocks. According to Minn Minn Oung, Burmese law states that when an oil and gas contract is abrogated, the block reverts to MOGE for a new tender. In the case of A5, the Minister of

Energy told MOGE to allow IGE to maintain control over the block while the firm looks for a new partner, according to Minn Minn Oung. IGE Co. Ltd was ultimately successful, entering into agreement earlier this year with Indian-owned Reliance Industries Limited to develop the A5 block, Myanmar Petroleum Resources Ltd. General Manager Terry Howe confirmed.

Comment

17. (C) Natural gas is the regime's largest money maker, bringing in more than USD 2.5 billion in revenue in 2008. While the regime's efforts to expand offshore production continue to generate foreign interest, some companies are finding it difficult to invest given the global economic crisis. We expect the regime will continue to tap into its cronies to provide financing for offshore exploration, repaying them with lucrative contracts in other sectors or sharing revenues from potential gas sales.

DINGER